



FOR IMMEDIATE RELEASE

June 4, 2007

FACT SHEET

SANDERS ANNOUNCES RELEASE OF FY04 AUDIT OPINION

RELEASE IS MAJOR STEP TOWARD CITY ACCESSING PUBLIC MARKETS

Mayor Jerry Sanders today announced that the City has received an unqualified FY04 Audit Opinion letter from the accounting firm of Macias Gini & O'Connell LLP. On March 16th, the City received an unqualified FY03 audit opinion letter from KPMG. Both are major steps toward re-accessing the public credit markets to finance major capital improvements projects. Along with the completion of the Kroll investigation and the agreement with the SEC, the release of the two audit opinion letters are proof that the City is making great strides toward regaining the confidence of the financial markets and the public.

The Mayor also announced today that for FY03, the "Single Audit" that encompasses federally funded programs and the Redevelopment Agency Audit have been completed. The FY04 "Single Audit" to include the "Yellow Book" Report and the Redevelopment Agency Audit are expected to be completed by the end of this week. The FY04 CAFR will not be forwarded to the Council until all the documents are received.

Prior to being able to access public capital, the City must also have audited financial statements for FY05. The Mayor today announced the following schedule for the City's release of that set of financial statements as well as others:

- FY05: within 90 days thereafter (approximately late August)
- FY06: within 90 days thereafter (approximately late November)
- FY07: within 90 days thereafter (approximately late February 2008)

Pursuant to the City's Municipal Code, the City Council will be asked to "receive and file" the audited financial statements. (On Tuesday, the Council will consider the FY03 audit.) The statements will then be sent to the three rating agencies. The rating agencies have told the City that they will begin a formal dialogue with the City once they have received the FY04 audited statements but will not reconsider a credit rating for the City until they have received FY05. Only Standard & Poor's (S&P) has suspended the City's rating altogether.

The City is hopeful that each rating agency will release an updated rating for the City upon its release of the audited financial statements for FY05. The City will then be able to access public capital.



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council
of the City of San Diego, California:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of San Diego, California (City), as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the San Diego Housing Commission, a discretely presented component unit, which statements reflect 87%, 94% and 81% of total assets, total net assets and total revenues, respectively, of the aggregate discretely presented component unit totals. We also did not audit the financial statements of the San Diego City Employees' Retirement System, a pension trust fund, which statements reflect 64%, 66% and 41% of total assets, total net assets and total revenues, respectively, of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2004, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2007 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The management's discussion and analysis, analysis of funding progress and general fund budgetary information on pages 25 through 37, 134 and 141 through 163 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information, except for the budgetary schedules on pages 184 through 197, 204 through 205 and 216 through 220 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we and the other auditors express no opinion on them.

Macias Jini & O'Connell LLP

Certified Public Accountants

Los Angeles, California

May 11, 2007